



Directorate of
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Near East and South Asia Review

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The Indian Army will begin its largest ever field maneuvers in January near the Pakistani border. High-level Pakistani officials acknowledge that the maneuvers are not a prelude to invasion, but Islamabad appears to be using the exercise to strengthen its case for increased military assistance from the United States.

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Kashmir: The Vale Remains Rent

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New Delhi's decision to loosen its tight rein on state politics in Jammu and Kashmir and form a government under Farooq Abdullah demonstrates its concern over the possibility of increased religious strife close to its border with Pakistan. Islamabad is likely to exploit any dissension in Kashmir by increasing its propaganda.

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Iran: Increasing Pressure on Rationing System

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Tehran is finding it increasingly difficult to provide adequate supplies of food and durable goods through Iran's rationing system because of the war and low oil revenues. Attempts to cut rations could alienate large numbers of lower class Iranians who are key supporters of the regime.

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**The Political and Economic Implications of the Iran-Iraq War:
A Conference Report**

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It was generally agreed that the Iran-Iraq war would remain essentially stalemated over the medium term. Conflicting opinions, however, were expressed about Iran's staying power and whether economic problems would compel Tehran to seek a way out of the war.

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[Redacted]

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Oman-Saudi Arabia: Drawing the Line [Redacted]

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[Redacted]

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Muscat and Riyadh are actively pursuing independent strategies to resolve their long-running border dispute, even though they are preoccupied with the Iran-Iraq war and the conflict in the Yemens. The likelihood of renewed border clashes is slim because both sides hope the issue can be resolved without further violence. [Redacted]

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The Libyan Economy: Qadhafi's Achilles' Heel [Redacted]

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[Redacted]

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Libya's economic decline is the greatest potential threat to the regime of Libyan leader Qadhafi. Although Qadhafi has offered little more than revolutionary rhetoric to soothe the populace, discontent has yet to erupt into widespread protests probably because of Qadhafi's pervasive and effective security network. [Redacted]

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Israel's Diplomatic Hopes in Africa [Redacted]

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[Redacted]

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Israel has exerted extensive diplomatic efforts to reestablish relations with the black African countries that severed ties following the Arab-Israeli war in 1973. Despite Israeli hopes, resumptions of relations in Africa will continue at only a slow pace. [Redacted]

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[Redacted]

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. [Redacted]

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Articles

India: Major Military
Maneuvers

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The Indian Army will begin its largest ever field maneuvers in January near the Pakistani border. The exercise, code-named Brass Tacks IV, will use current Indian war plans against Pakistan and is designed to challenge the imagination of India's primarily infantry-oriented Army commanders. High-level Pakistani officials acknowledge that the maneuvers will not be a prelude to invasion, but Islamabad appears to be using the exercise to strengthen its case for increased military assistance from the United States. The maneuvers will add to the increasing number of issues that have stalled Indo-Pakistani rapprochement.

Brass Tacks Exercises

The Indian Army has scheduled an unusually large exercise for the first three months of 1987. will involve some 150,000 troops, 1,500 tanks, and 500 artillery pieces. The exercise scenario, built around Indian contingency plans for a war with Pakistan, calls for opposing forces to maneuver in the northern Rajasthan Desert training area between Suratgarh and Bikaner, some 50 kilometers from the Pakistani border. One armored, one mechanized, and three infantry divisions, plus two independent armored brigades, will operate against a smaller force consisting of one armored and one infantry division, supported by two independent armored brigades. The larger force will establish a bridgehead across the Rajasthan Canal and then conduct an armored breakout.

Brass Tacks IV will build on the experience gained by the Indian military in three smaller exercises, also codenamed Brass Tacks, taking place this year. Brass Tacks I, a command post exercise, was held in New Delhi from 21-24 July. It was designed to test the

logistic, communications, and administrative skills of Indian corps and division commanders. used their war plans in the exercise, which was preceded by an assessment of the capabilities of Pakistan's I and X Corps opposite Indian-held Jamma and Kashmir. Indian Army strategists expect these forces to carry out Pakistan's key offensive thrusts in a future war.

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Brass Tacks II and III this fall will probably consist of Indian Army division and corps-level exercise.

will be a preparatory exercise for Army support units, such as combat engineers, while Brass Tacks III will be a corps-level exercise in the Rajasthan Desert. The Indian Army usually conducts field maneuvers at this level between September and December near the Pakistani border as part of its normal training schedule. Elements from selected units deploy to local training areas not far from their cantonments. This year some of these exercises apparently are being directed from New Delhi in preparation for the Brass Tacks IV exercise in early 1987.

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The Indians normally conclude their annual training cycle with one to two corps exercising in the large training area in the Rajasthan Desert. In 1982 and 1984 these exercises involved about 100,000 men.

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In 1984 the exercise involved India's single, newly formed mechanized infantry division. The mechanized division participated again last year in smaller maneuvers involving about 65,000 men.

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Indian Goals

Army Chief of Staff Sundarji has organized the Brass Tacks exercises to stimulate the conservative thinking of his senior officers, [REDACTED]

[REDACTED] Since assuming command in February 1986, Sundarji's principal concern has been the professional competence of Indian Army officers. In an open letter to the officer corps, he chided senior officers for their lack of technical competence and poor leadership, as well as their ostentatious lifestyles. He has subsequently threatened disciplinary action against recalcitrant generals and encouraged junior officers to display greater initiative. [REDACTED]

Sundarji clearly wants to force his generals to practice their war plans more realistically. To this end, he has ordered the Army's small force of 12 Hind attack helicopters to participate in the exercise along with other Army aviation assets to simulate the Air Assault Division that the Army plans to form over the next few years. [REDACTED]

previous Indian training exercises have often been well choreographed affairs in which troops learned very little. [REDACTED]

We believe the Indian military also has involved its newly created Defense Planning Staff in the Brass Tacks maneuvers to improve coordination between the armed services. This staff, headed by General B. G. Nanda—who comes from the same ethnic regiment as Sundarji and is a close relative of one of India's two retired field marshals—is responsible for coordinating individual service contingency plans and played a large role in organizing this year's large triservice amphibious exercise near Goa. [REDACTED]

[REDACTED] the Indian Air Force and Navy will participate in Brass Tacks, and their roles probably have been detailed by the Defense Planning Staff:

- The Navy's role will be to patrol the Rann of Kutch and to provide ships for an amphibious landing near Goa in late January. The Navy's new Kilo-class submarine, recently delivered from the USSR, will probably remain on the western coast until mid-February to participate in the Brass Tacks exercise.

- The Air Force plans to participate in Brass Tacks. Some of its most advanced combat aircraft, including the Mirage-2000 fighter-bomber, will participate. [REDACTED]

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25X1**Pakistani Reactions**

According to Embassy reporting, the Pakistanis have told visiting US officials that they are concerned about the exercise, but they probably do not believe the Indian maneuvers pose an immediate threat to Pakistan. Pakistani military forces have not been put on alert or made special preparations to counter an anticipated Indian military threat in early 1987. One Pakistani armored division is exercising in its normal training area south of Multan and roughly opposite the Indian exercise area, [REDACTED]

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[REDACTED] is taking extended leave before the exercises, further indicating Pakistani lack of concern. [REDACTED]

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Islamabad is particularly concerned by India's failure to notify it of the exercises in accordance with an unwritten bilateral understanding. Indian Ministry of Defense officials have indicated that the Pakistanis have asked whether notification will be forthcoming.

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[REDACTED] claim they have not yet been notified by New Delhi.

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Notification has normally been provided through flag meetings attended by Indian and Pakistani Army commanders along the border, although the recently installed hotline between New Delhi and Islamabad could be used for this purpose. [REDACTED]

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Islamabad also is making a concerted effort to use the exercises as a pretext for expanding US-Pakistani defense cooperation. Pakistani officials have asked Washington to keep them apprised of any unusual activity associated with the Indian exercises. They have repeatedly raised the exercises in bilateral meetings on future US military aid to Pakistan. President Zia has requested lower prices, increased concessionary financing, and more advanced weapons, specifically an interim airborne early warning capability. Other high-level Pakistani officials have

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pointed to deteriorating relations with India—along with the continued Soviet presence in Afghanistan—as contributing to Pakistan's poor security environment. We expect the Pakistanis to make increased use of the exercises to press the United States for concessions as the date for the exercises draws near. [REDACTED]

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Outlook

New Delhi probably will honor its commitment to notify Pakistan of its maneuvers as it did in 1984—on short notice and providing only limited information. The Indians will attempt to portray their maneuvers as normal training exercises, rejecting accusations of saber rattling. New Delhi's delay in notifying Islamabad lends credence to Pakistani press claims that the Indians are using the exercises to intimidate them. [REDACTED]

New Delhi probably will attempt to divert attention from the Brass Tacks maneuvers by pointing to US plans to improve military cooperation with Pakistan. Scheduled visits by US warships to Karachi and weapons demonstrations in Pakistan over the winter months will provide the Indians with numerous opportunities to articulate their security concerns. New Delhi has already indicated its concerns about Pakistan receiving a US AWACS aircraft in the near future. [REDACTED]

The Brass Tacks exercises represent an important step toward improving the capabilities of the Indian Army. Sundarji wants to bring Army thinking and management in line with the capabilities provided by the Army's new advanced arms, including T-72 tanks, BMP-2 infantry fighting vehicles, Swedish 155-mm howitzers, and SA-8 surface-to-air missiles. He wants the Army to be a highly mobile force capable of defeating Pakistan in less than two weeks, but the Indian officer corps represents a considerable obstacle. [REDACTED]

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We expect the Indian military exercise to become another contentious issue between New Delhi and Islamabad. Gandhi's mood has clearly changed since last year when he was receptive to establishing cooperative security measures including a bilateral hotline, negotiating disputes over the Siachen Glacier, and accepting Zia's proposal for a mutual ban on attacks on nuclear installations. According to Embassy reporting, Gandhi recently accused Pakistan of not showing serious interest in normalizing relations with India. He made an oblique reference to Pakistan's nuclear weapons program and pointedly charged Islamabad with training Sikh terrorists and encouraging the flow of drugs to India. [REDACTED]

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Kashmir: The Vale Remains Rent

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New Delhi's decision to loosen its tight rein on state politics in Jammu and Kashmir and form a government under Farooq Abdullah demonstrates its concern over the possibility of increased religious strife close to its border with Pakistan. The National Conference Party under Farooq will have to demonstrate to Delhi that it is capable of controlling Muslim-Hindu violence if elections are to be held in March 1987. If religious violence escalates, then Congress Party politicians may once again withdraw their support from Farooq. Pakistan is likely to continue taking advantage of any dissension in Kashmir by increasing its propaganda.

A History of Turmoil

During the bloody division of the subcontinent into the states of India and Pakistan in 1947, Kashmir, which has a majority Muslim population, was given the choice by the British to accede to either India or Pakistan. The Hindu ruling family of Kashmir, with the support of local Muslim politicians, decided to join India.

Pakistan has never recognized the accession of Kashmir to India, believing that if Kashmiri Muslims had been able to express their true feelings, Kashmir would have joined Pakistan. In 1947-48 Pakistan attacked Indian-held Kashmir in an attempt to seize it, but the Indians were able to hold two-thirds of the state, including the economically important Vale of Kashmir. The UN Security Council passed a resolution recognizing Pakistani control of the mountainous northern third of the state now called Azad Kashmir, meaning Free Kashmir. The United Nations established a cease-fire line and proposed a plebiscite in Kashmir, as well as the withdrawal of troops from both sides of the border. Neither proposal was implemented. In 1952 an elected Muslim Constituent Assembly in Kashmir voted in favor of accession to India.

Fighting along the cease-fire line in the Indo-Pakistani wars of 1965 and 1971 did not resolve the

demarcation question. The Pakistanis could not gain any additional territory in Kashmir. After the 1971 war both parties agreed to a peaceful settlement of the Kashmir issue. Pakistan, however, remains unreconciled to the loss of Kashmir.

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Kashmir has had a Muslim-dominated parliament since partition, and the majority of the state's chief ministers have been Muslims going back to the first ruler, Sheikh Abdullah, in 1947. It was under Chief Minister Sheikh Abdullah's leadership that Kashmir agreed to join India. The Abdullachs continue to dominate state politics, but since 1984, when New Delhi removed successive Chief Ministers Farooq Abdullah and G. M. Shah, Muslims have felt themselves deprived of control of the state government by New Delhi, according to Embassy reports. When Rajiv Gandhi imposed Governor's Rule last March, these feelings intensified.

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Relations Between State and Central Government

Because Kashmir is the only Indian state with a Muslim majority on the border with Pakistan, New Delhi maintains a tight rein on state politics to curtail separatist and Islamic fundamentalist sentiments. Although Kashmir is the only Indian state to have its own constitution, New Delhi retains the authority to remove Kashmir's chief minister. The Indian Constitution gives the central government the right to impose Governor's Rule in Kashmir for a period of six months and to extend it by implementing President's Rule, which can be extended every six months up to two years.

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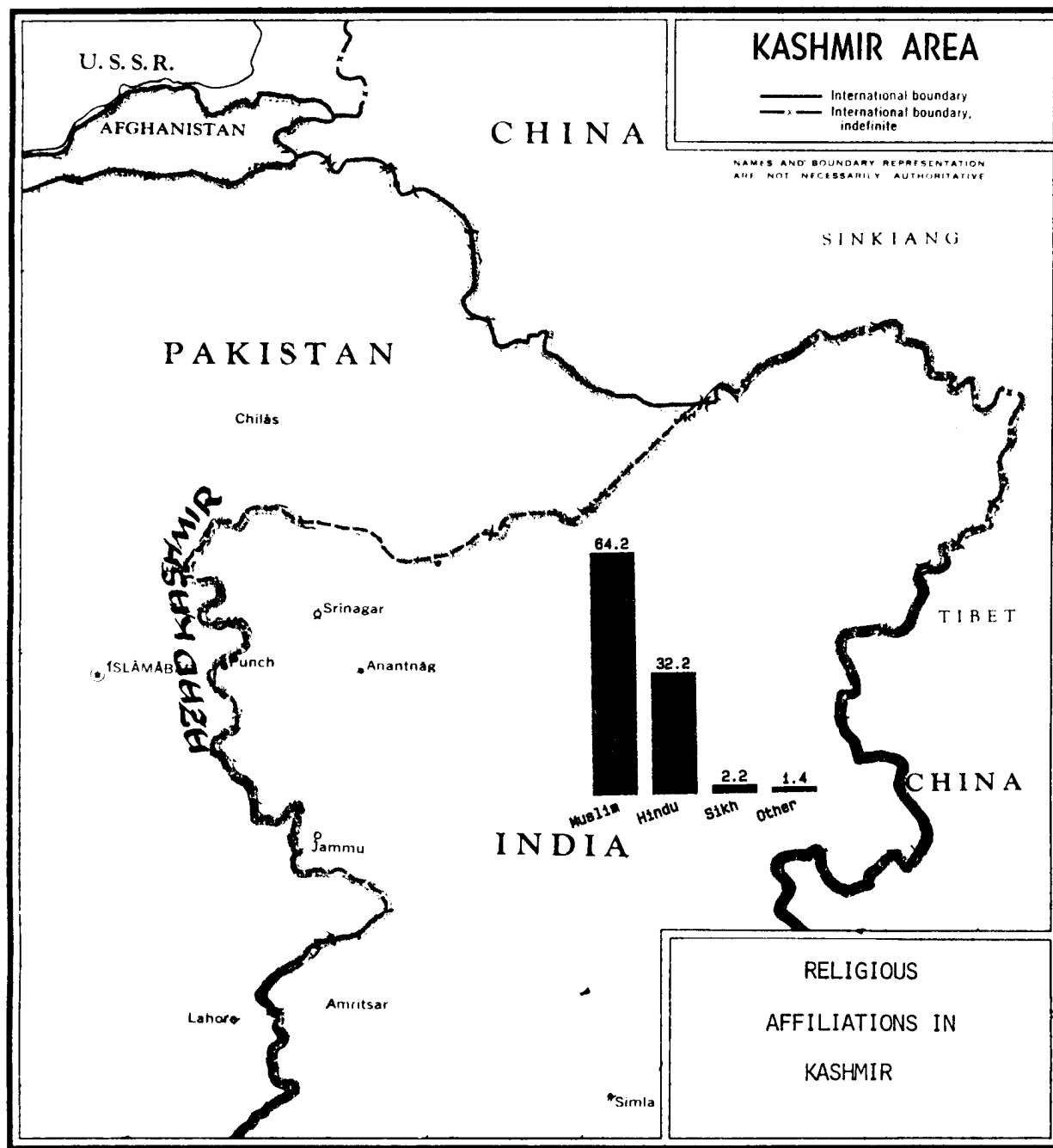
Indira Gandhi removed Farooq Abdullah, son of Sheikh Abdullah, as Chief Minister in 1984 and replaced him with his brother-in-law, G. M. Shah. Although Farooq was accused of corruption and harboring pro-Pakistani sentiments, we believe he was removed mainly because he was ineffective in controlling Muslim-Hindu violence in the state. New

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Delhi had just intervened to crush the Sikh extremists at the Golden Temple in Punjab, south of Kashmir.

Last March Rajiv Gandhi removed Shah from office, ostensibly for corruption and oppressive rule, and placed the state government under Jagmohan as governor of Kashmir. In our judgment, the underlying reason was Shah's ineffectiveness in controlling Muslim attacks on Hindus. New Delhi was facing criticism from Hindu chauvinist politicians for failing to protect Hindus in Punjab against Sikh militants, and we believe Gandhi did not want to give Hindu chauvinists another issue on which to attack him.

Gandhi's imposition of Governor's Rule was accepted by Kashmiris dissatisfied with Shah.

Critics of the Shah government believed that he was too autocratic and did not adequately represent Kashmiri interests in dealing with the central government. They also criticized him for catering to fundamentalist Muslim groups, allowing an increase in communal violence that was damaging the tourist industry that is vital to Kashmir's economy.

Elections in the Offing

Most Kashmiris probably hoped Rajiv Gandhi would replace Shah with Farooq Abdullah rather than institute a protracted period of rule from New Delhi. The National Conference Party under Farooq gained increased popularity after the imposition of Governor's Rule, and the major Kashmiri political parties have called for his return to power.

According to Embassy reporting, Farooq's faction of the National Conference Party was the largest group in the state assembly before Governor's Rule, holding 29 of 76 seats. G. M. Shah, who headed the Khalida faction of the National Conference Party, controlled only 17 seats. The Congress Party, which had 26 seats, provided the balance to keep Shah in the chief minister's chair.

Farooq's faction and Congress Party officials in New Delhi engaged in protracted negotiations to form a coalition and call for a new election, a process that led

to the early November agreement to reinstate Farooq and hold new elections next spring. Both Farooq and Delhi probably were feeling pressure to bring the negotiations to a successful conclusion lest their respective positions in the state begin eroding. The more radical followers of Farooq were critical of the close ties they believed he was developing with New Delhi to regain his role as chief minister. New Delhi, on the other hand, probably feared further delay would work to the advantage of Islamic hardliners in the state. New Delhi's concern over this issue apparently was sufficient to overcome its fear that the Congress Party might lose seats in the state legislature in new elections. If this happened, New Delhi would lose its leverage over the Kashmir government, according to US Embassy reports.

Religious and Political Unrest

New Delhi's procrastination over elections gave Islamic fundamentalist movements in the state an issue. The fundamentalists have criticized Farooq both for giving in to New Delhi in negotiations and for not convincing Delhi to end President's Rule, according to the US Embassy. Taking their cue from Sikh fundamentalists, the Muslim fundamentalists have increasingly cast New Delhi as a sectarian power representing the interests of Hindus. According to Embassy reporting, Muslim leaders believe the atmosphere between Hindus and Muslims in Kashmir is the worst since partition. Early this year there were extensive Muslim-Hindu clashes in Kashmir that threatened to spread across northern India, according to Embassy reports. When Governor's Rule expired in September and Delhi imposed President's Rule, strikes and violent attacks became a daily event.

Muslim fundamentalist activity has increased since Delhi took direct control of the state. The most active of these groups are:

- The Jammat-i-Islami (The Islamic Society), led by the imprisoned Syed Ali Shah Geelani, has a membership estimated at 3,000 as of 1984. This group is most active in the Vale of Kashmir. During Independence Day celebrations last August, members of the group distributed literature

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Kashmir Key Players**Farooq Abdullah***Leader, National Conference/Farooq Faction*

Farooq is Jammu and Kashmir's most popular politician and the leading contender to become chief minister after New Delhi rolls back President's Rule in the state. [redacted] Farooq inherited the National Conference mantle from his father, Sheikh Abdullah, after holding a parliamentary seat and membership in his father's Cabinet. [redacted]

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**G. M. Shah***Leader, National Conference/Khalida Faction*

Shah took control of the state government in the July 1984 "midnight coup," when Congress Party state legislators quietly withdrew their support from then Chief Minister Farooq Abdullah and backed Shah, Farooq's brother-in-law. Shah had been a close adviser to Sheikh Mohammed Abdullah. Abdullah's designation of his son Farooq as leader of the National Conference led to bitter infighting between Farooq and Shah. In April 1984 Shah and Farooq factions held separate conventions. A longtime figure in Kashmir state politics, Shah [redacted] [redacted] is not popular among Kashmiris, who have never forgiven him for unseating the popular Farooq. His poor reputation and lack of popular support led Rajiv Gandhi to withdraw Congress Party backing from him causing his government to fall. [redacted]

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**Jagmohan***Governor, Jammu and Kashmir (since March 1984)*

Jagmohan oversees the Jammu and Kashmir state administration during President's Rule. His meteoric rise through the Indian civil service was spurred by his close association with Sanjay Gandhi, Indira Gandhi's heir apparent before his death in 1980. According to press reports, Jagmohan, who took part in designing Farooq's fall from power, eventually supported New Delhi's opposition to the Shah regime. He was active in Delhi politics and development projects before his appointment to the governorship. [redacted]

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encouraging Muslims to celebrate independence on the same day as Pakistan rather than a day later when India celebrates and to hoist Pakistani flags on the Indian Independence Day. According to US Embassy reports, the Jamaat-i-Islami was behind attacks against Hindu shops and shrines earlier this year. The Jamaat-i-Tulaba, the youth branch of the organization, has been active in recruiting members mainly from among university students.

- The newly formed Kashmir United Front has become actively involved in arson, bombings, and strikes in Kashmir's capital city of Srinagar. Even though its membership is small, the Front was behind the recent student riots in Srinagar and attacks against government cars, including Governor Jagmohan's, according to Embassy reports. []

The Jamaat-i-Islami and the Kashmir United Front are just two of the many groups that make up the Muslim United Front, which is responsible for stirring up Kashmiri Muslim perceptions of discrimination, according to Indian press reports. []

Hindu fundamentalism is also on the rise. The Shiv Sena, a militant Hindu fundamentalist group, has become active in the Hindu-dominated Jammu area of the state. The group was in the forefront of anti-Muslim demonstrations by Hindus earlier this year. The two communities were at odds over the reopening of a Hindu temple on the site of a mosque in a neighboring Indian state, as well as differences over a Supreme Court ruling. The communal clashes that erupted in late February were so intense and widespread that paramilitary forces were put on statewide alert, according to Embassy reports. []

Pakistani Involvement

Pakistan is raising the Kashmir issue in international forums and at home with increasing frequency. We believe the Pakistani Government uses the Kashmir issue to deflect domestic concern over internal security in Sind and the North-West Frontier

Province. Islamabad also finds the issue a popular rallying point for most Pakistanis:

- Pakistani's Azad Kashmir Council considered a proposal earlier this year to allocate 1.88 million rupees for "promotion of the Movement of Jammu and Kashmir State's accession to Pakistan," []

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- Pakistan sent officials representing Azad Kashmir to the Hajj in Saudi Arabia and to the Nonaligned Movement summit meeting in September, probably hoping to raise the issue with Muslim delegations and embarrass India.

- Pakistan's Prime Minister Junejo made a highly publicized trip to Azad Kashmir in September and demanded the right of self-determination for the people of Kashmir. []

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Indian considers Islamabad's advocacy of Kashmir's self-determination to be meddling in Indian domestic matters and has challenged Islamabad with actions of its own:

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- Its decision to begin construction of a dam that could block the flow of water from the Jhelum River in Kashmir to Pakistan may have been made, in part, to answer Pakistan's efforts on behalf of self-determination.

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- New Delhi has accused Islamabad of training Sikh extremists in Azad Kashmir and sending them into India through Kashmir.

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- India criticized Pakistan for ignoring its agreement to settle disputes over Kashmir bilaterally by calling on the United Nations to intervene. []

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Secret**Outlook**

Kashmir by itself will not stand in the way of efforts to improve relations between India and Pakistan. Rather, the issue is one of several major irritants—including alleged Pakistani support to the Sikhs and Pakistan's nuclear program—that make efforts to improve relations difficult. At a minimum, we expect Islamabad and New Delhi to continue tweaking one another over Kashmir. Islamabad knows the issue is popular in Pakistan and is certain to cause problems for Gandhi at home. Pakistan probably will continue to encourage Muslim fundamentalists in Kashmir in the hope that they will develop strong pro-Pakistani positions.

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Elections are scheduled for March 1987, but the National Conference Party's assessment of its strength and the Congress Party's evaluation of developments in Punjab and Haryana will determine whether elections are held. An unexpected deterioration in the security situation in Punjab and a Congress Party loss in Haryana probably would make New Delhi reluctant to risk significant diminution of its political leverage in Kashmir.

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We expect the National Conference Party to hold a majority of the seats in the spring election. If National Conference Party politicians believe that Farooq has sold out to the Congress Party, his popularity will decline, jeopardizing his chances to be selected chief minister and form a new government, in our judgment. So far Farooq's followers are uncommitted, and the more radical political groups in the state have engaged in strikes against the new coalition. If Farooq does not win a majority, the Congress Party will still hold the balance of power and the Islamic fundamentalists probably will resume clashes with Hindus next spring. The increased turbulence will lead to greater involvement in Kashmir by New Delhi.

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Iran: Increasing Pressure on Rationing System [REDACTED]

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Tehran is finding it increasingly difficult to provide adequate supplies of food and durable goods through Iran's rationing system because of the war and low oil revenues. The rationing program—instituted in 1980 ostensibly to economize resources in support of the war effort—allows Iran's religious leaders to portray themselves as the nation's temporal providers and is used to reward regime supporters. Economic pressures are straining the system, [REDACTED]

Durable goods such as appliances and automobiles are also rationed. Islamic or workplace cooperatives are used to regulate distribution of these items. The procedure usually involves membership in a cooperative, a ration book, and an interview with a local religious leader to determine spiritual worthiness. A six-to-nine-month wait for delivery is also typical. Frequently, two Revolutionary Guards visit the homes of prospective buyers to verify the need for the requested item. [REDACTED]

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Rationing

The Khomeini regime instituted rationing shortly after the Iran-Iraq war began, claiming wartime conditions necessitated a more efficient allocation of resources. Although economizing was a legitimate concern of Iranian leaders, the political benefits rationing provides almost certainly played at least an equal role in the program's implementation. The acquisition of food and other essential goods through government representatives makes the regime appear as the nation's provider. Controlling commodity distribution also allows regime leaders to reward supporters or punish dissenters. [REDACTED]

Families of war dead, Revolutionary Guards, and those living in areas valued for their support of the regime are given increased food rations and priority attention when buying durable goods. This is a point of contention among those who receive a smaller share. [REDACTED]

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Iran's rationing system is pervasive. Each family is issued a book of coupons allowing it to buy food at reduced prices from government-controlled stores. One coupon book covering cooking oil, beef or lamb, sugar, rice, and soap is distributed through local banks. A second type is distributed through mosques and includes items such as chicken, cheese, fish, heating oil, and natural gas. Both books require verification of family size. Each day the government announces over the radio or in the newspaper which coupons are valid for which items. This allows the regime to carefully control food distribution and makes it difficult for consumers to determine if rationing is equitable from place to place. [REDACTED]

Quantities rationed are rarely adequate, and this forces Iranians to supplement their diets with food bought on the open market. Iranian physicians have complained recently that official portions are too small and have attributed an increased incidence of stillbirths to malnutrition. In response, the government claims rationing is supplementary and was never intended to support a complete diet. Open-market prices are high, however, ranging from two to 10 times higher than official prices. [REDACTED] Many lower class Iranians have little choice but to make do on government allocations. [REDACTED]

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Shortages and government controls have resulted in a thriving black market, apparently with the tacit approval of regime leaders. The black market softens the impact of wartime controls by supplying luxury

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items—officially restricted—and some foods and durable goods frequently unavailable elsewhere. The lucrative black market has fostered widespread corruption among government officials and the diversion of goods from official distribution channels. The resulting shortages of rationed goods almost certainly cause Iranian consumers to wonder how items unavailable at government stores end up on the black market at prices that few can afford. [REDACTED]

Signs of Stress

Iran is having difficulty supporting its rationing system because of the war and low oil prices. Iraq's latest bombing campaign against Iranian oil exporting facilities has worsened the situation by reducing foreign revenues. [REDACTED]

[REDACTED] Iran has decided to halve its meat imports, which supply at least 45 percent of meat demand, for the coming year. Meat rations already have been reduced once in the last six months. [REDACTED]

Periodic shortages have been fairly common since rationing was implemented, but [REDACTED] scarcities of a broad range of goods are becoming routine. Meat is the most frequently mentioned item in short supply, but others recently cited include butter, cooking oil, cheese, soap, stationery, pens, school textbooks, and medicines. The current dearth of tea is particularly irritating to Iranians, [REDACTED] Even the black market, usually able to provide almost any commodity for a price, is suffering food shortages. [REDACTED]

Iranian patience with rationing and growing shortages is waning. [REDACTED] demonstrations recently erupted to protest gas rationing. Iranians who moonlight as taxi drivers or deliverymen were angry about the small amounts they were allowed. The regime responded by relaxing limits, but shortages of gas and other refined products this winter almost certainly will require additional restrictions. Another ominous sign is that citizens are

beginning to complain openly, often while gathered in ration lines. In the past, the regime's intimidation of dissenters sharply limited such grumbling. [REDACTED]

Outlook

War costs and lower foreign earnings will sharply limit Tehran's ability to maintain current ration levels. One short-term solution would be to obtain foreign financing to increase imports, but the regime's opposition to dependence on foreign lenders has discouraged it from exercising this option. Until the war with Iraq ends or oil revenues rebound, additional cutbacks in rationing and worsening shortages are likely. The regime, therefore, probably will rely increasingly on its brutal security services to control future disturbances. [REDACTED]

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The Political and Economic Implications of the Iran-Iraq War: A Conference Report

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On 29 September the Persian Gulf Division of the Office of Near Eastern and South Asian Analysis sponsored a conference at the Willard Hotel in Washington, D.C., to discuss the political and economic implications of the Iran-Iraq war. The 60 private-sector and governmental attendees discussed a wide range of country-specific and regional issues related to the conflict. There was general agreement on the unlikelihood of a total Iranian victory any time soon, on the severity of current economic problems facing Iran and Iraq, and on the shortsightedness of Israel's tilt toward Iran. A weaker consensus emerged on issues such as the impact of Iran's economic problems on its ability to continue the war, oil price and production scenarios, and Turkey's actions toward the Mosul area of Iraq if Iran prevailed militarily. The conference generated a range of perspectives and observations that Intelligence Community analysts found useful and provocative.

A majority of the conference attendees argued that the Iran-Iraq war would remain essentially stalemated over the medium term. Despite signs that an Iranian offensive is in the offing, the academic participants were more sanguine about Iraq's will and ability to repel Iranian attacks than are most CIA analysts. One, for example, observed that Iraqi military and civilian morale is strong, that new oil export pipelines and Arab aid give Iraq an economic advantage over Iran, and that the ruling Ba'th Party is firmly in control. There was little sense of foreboding about Iraq's position despite recent pessimistic press coverage about its declining fortunes.

Conflicting opinions were expressed about Iran's staying power and whether economic problems would compel Tehran to seek a way out of the war. A prominent energy strategist judged that if Iran does not win the war soon, its economic situation will become precarious because:

- Oil prices are likely to remain low for some time.
- An economy controlled by Islamic zealots will remain uncompetitive in the world economy.

- Iraqi air attacks against Iranian economic targets have been more effective.
- Iran is importing increasing amounts of oil products, perhaps as much as 200,000 barrels per day, because of damage to its refineries.

pointed out that Allied bombing during World War II failed to bring Germany to its knees, and he doubted Iraqi attacks would be any more effective. On the political side, an academic expert underscored Khomeini's refusal to compromise on the war or on relations with the United States.

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Discussions about the regional implications of the conflict elicited a wide range of views. Egypt's gains from the war in terms of reduced isolation were noted, as was the fact that the conflict had fostered the development of Gulf Cooperation Council (GCC) defense and security mechanisms. Although the latter will help the Gulf states deal with subversive threats, uncertainty was expressed about the magnitude of Iranian troublemaking in the Gulf after the war, particularly in the event of an Iranian victory. Under such a scenario, some participants argued that Saudi Arabia and the small Gulf states would attempt to conciliate Iran before seeking more visible US security assistance.

Several experts stressed the importance of Syria's role in the war, suggesting that Damascus would be well placed to play a key role in resolving the war when either Khomeini or Saddam Husayn is gone. Syria's standing with Iran is good, and it retains credibility with potential mediators such as Saudi Arabia and Jordan.

Several participants argued strongly that the Israeli policy of tilting toward Iran will prove shortsighted. Although some policy officials noted that Israel's tilt was initially intended to prevent an Iraqi victory, others argued it has strengthened Iran. These experts

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noted the success of Iranian proselytizing in Lebanon, where Hizballah guerrillas pose a major threat to Israel. Some stressed a longer term threat to Israel from a triumphant Islam should Iran "win" the war. A minority opinion noted the historical tradition of Persian-Jewish and Iranian-Israeli ties. These participants suggested a revival of common Israeli-Iranian anti-Arab interests after Khomeini's death and a decline in fundamentalist fervor in Iran.

clearly a setback for Moscow, and the war has distracted attention from the "anti-imperialist struggle." In the event of a major Iranian breakthrough, he argued that Moscow would be hesitant to intervene unilaterally but might propose a joint initiative with Washington.

[REDACTED]

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A number of attendees noted that one of the consequences of the war has been to distract key regional players from issues such as the Arab-Israeli conflict. They argued that the Palestine issue has lost its prominence, and it will be difficult for it to regain regional and international attention. In addition, Iranian and Iraqi preoccupation with their war has produced a power vacuum in the Middle East, allowing the development of the GCC and giving more influence to states such as Saudi Arabia, Jordan, and Syria.

Sharply differing views were offered on Turkey's reaction to an Iranian victory and a defeated Iraq. Some participants argued that the Turks have long been interested in the oil-rich Mosul area of Iraq and would seize all or part of it if a Shia government came to power in Baghdad. One said that the Turkish Prime Minister had told him that Turkey would have to occupy the oilfields "to save them for the West." Others asserted that the Turks have been careful to stay on the fence during the conflict and do not have serious designs on Mosul.

During the wrap-up session on implications for the United States, the pluses and minuses of the war for US interests were reviewed. On the negative side, Iran remains a dominant and hostile power in the Gulf, Islamic fundamentalism has been strengthened, and the Shia movement has been galvanized internationally. In a positive vein, the United States has gained a greater security role in the Gulf, the war has further splintered the Arab world (a plus for the United States), and the fallout from the conflict generally has been negative for the USSR. [REDACTED]

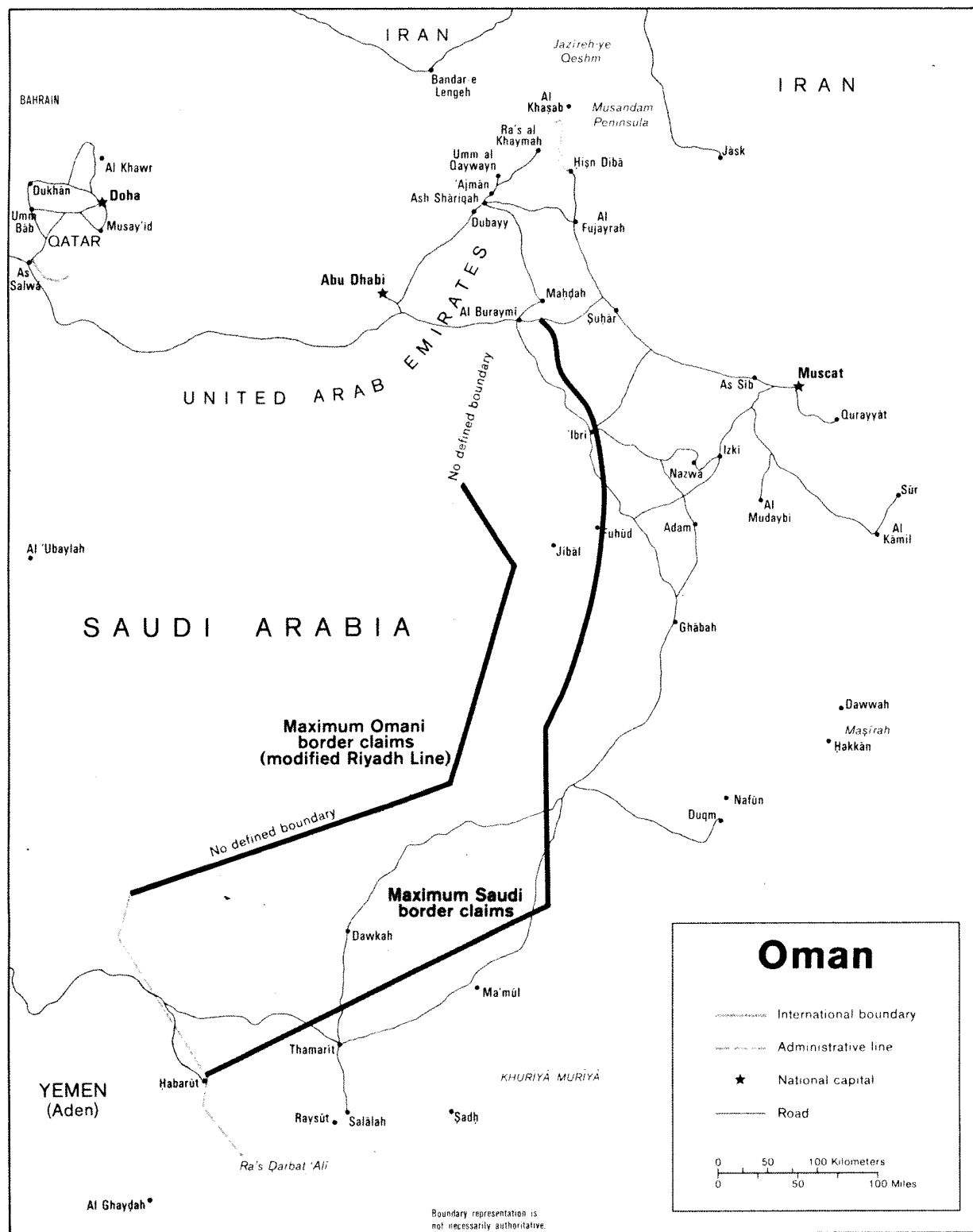
[REDACTED] increased US-Iraqi cooperation is

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Oman-Saudi Arabia: Drawing the Line

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Muscat and Riyadh are actively pursuing independent strategies to resolve their long-running border dispute, even though they are preoccupied with the Iran-Iraq war and the conflict in the Yemens. Border problems with other countries and the uncompromising stance of both governments have hampered resolution of the dispute. The likelihood of renewed border clashes is slim because both sides hope the issue can be resolved without further violence.

Bordering on Disaster

A legacy of tribal loyalties, overlapping historical claims, and the discovery of oil have long impeded the delineation of borders between states in the Persian Gulf region. The difference between borders claimed by Muscat and Riyadh ranges from 80 to 200 kilometers, and Saudi demands at their most extreme include about one-third of Oman's territory. The Omani claim—which includes the Al Buraymi Oasis—is based on the 1955 "Riyadh Line" that the British defined and is particularly generous to London's former client and continued ally. Border incidents over the years have strained Omani-Saudi relations. Four occurred last year:

- In February 1985, the Omanis disarmed and evicted a 10-man Saudi Frontier Force patrol that was camped at Ramlat Shu'ayt, near the triborder area with South Yemen.
- In April 1985, a 50-man Saudi border patrol crossed into an area near Oman's Lekhwair oilfields and tore down Omani border markers.
- In July 1985, the Omani Army again intercepted a Saudi patrol near Ramlat Shu'ayt. The Saudi patrol withdrew peacefully the next morning.
- In September 1985, Oman offered to cooperate with Saudi border patrols pursuing smugglers operating out of South Yemen, according to US Embassy reporting. Riyadh responded with a letter from King Fahd reasserting Saudi claims to Ramlat Shu'ayt

Al Buraymi: Three's a Crowd

Oman, Saudi Arabia, and the United Arab Emirates have each laid claim to Al Buraymi—a water-rich oasis that probably also has oil. During the early 1950s, Riyadh reasserted its historic claims by dispatching troops to occupy the area. The Saudi rationale for this action was to counter the inclusion of the oasis within an oil concession drawn up by a company based in Abu Dhabi. When arbitration failed to resolve the dispute, a force of British-led Omani troops drove the Saudis from the area in 1955. Subsequently, Britain proclaimed its Modified Riyadh Line, which placed Al Buraymi 200 kilometers outside Saudi territory—a boundary solution never accepted by Riyadh. As part of the 1974 Oman-Saudi Arabia border settlement, the Saudis relinquished their claim to the oasis. At present, the majority of the villages near the oasis are controlled and administered by Abu Dhabi.

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The precise alignment of the Oman-UAE border through the oasis is unclear. Oman only belatedly reacted to the rapid modernization of the Abu Dhabi portion of the oasis. The Omanis, now pushing development in their sector, recognize the interdependence of the two sectors and are promoting cooperation rather than confrontation.

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and denying that Omani permission was needed for Saudi forces to enter the area.

Strategy

The Saudis will probably increase their efforts to gain the loyalty of tribes along the Omani border because such loyalty traditionally has been used by Riyadh to justify its border claims. Riyadh has induced members of border tribes living in Saudi Arabia to take Saudi citizenship and return to the border areas,

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according to US officials. The Saudis also routinely invite tribal leaders from both sides of the border to Riyadh, where they are treated well in an effort to court their loyalty.

Muscat probably will delay resolving the issue as long as possible so that its claim will gain greater legal strength. Oman has de facto control of the border region and maintains military superiority in the area. The Omanis also have access to the oil in the disputed area under the current delineation and probably believe negotiations would only weaken their claim.

Prospects

Neither Muscat nor Riyadh views a settlement as urgent, and we believe the issue will remain unresolved for several years. The Omanis have more at stake than the Saudis in the border area and, therefore, greater motivation to maintain their position. The Saudis have shown greater interest in regional cooperation than the Omanis and would be reluctant to alienate Muscat permanently, since they hope it will play a greater role in Gulf Cooperation Council security matters.

Until it is finally resolved, however, the border problem will remain a recurring irritant in Omani-Saudi relations. Nonetheless, the dispute is unlikely to prompt serious border skirmishes in the near future because Oman and Saudi Arabia probably realize there are more pressing issues—such as how best to deal with the Iranian threat—that will continue to dominate bilateral relations.

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The Libyan Economy: Qadhafi's Achilles' Heel

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Libya's economic decline is the greatest potential threat to the regime of Libyan leader Qadhafi. The oil-dependent economy has been hit hard by the world oil price slump. Without a major boost in prices, Libya will earn only about \$4.9 billion from oil this year—about half last year's total and less than one-fifth of the peak 1980 receipts. Living standards have sunk far below oil-boom levels and have spawned unprecedented discontent. Nevertheless, Qadhafi has offered little more than revolutionary rhetoric to soothe the populace. He has implemented policies that force consumers to allocate even more of their depleted earnings to the government. Moreover, he has not adopted low-cost measures, such as temporary imports of food and other essential goods, that could buy valuable time for the regime. Discontent has yet to erupt into widespread protests probably because of Qadhafi's pervasive and effective security network. Unless conditions unexpectedly improve next year, Qadhafi is likely to face further unrest that may prove beyond the control of his security forces. A weakened security service would remove a major impediment to a move against the regime by disaffected elements in the military.

Economic Hard Times

The Libyan economy is almost totally dependent on oil. Petroleum accounts for nearly half of GDP and virtually all export receipts. As a result, the country has been hard hit by the weak world oil market. Petroleum earnings so far this year are at their lowest level in nearly 15 years.

Libya has been forced to use netback deals, barter arrangements, and price discounts to sell its crude. Production is currently averaging about 1 million barrels per day (b/d)—Tripoli's OPEC quota.

We believe the oil slump is causing the Libyan economy to register its poorest performance in five years—growth is down nearly 10 percent from last year's depressed rate—and the slowdown is hurting living standards. Libya's enviable standard of living

was once regarded as a hallmark of Qadhafi's regime. Open sources indicate per capita GDP—still quite high by African standards at about \$6,500—is now only two-thirds the 1981 level. Moreover, although these same sources report unemployment is not a problem in this sparsely populated country, inflation is running at a record 17 percent.

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Reduced oil earnings have made shortages of essential goods and services commonplace for the average Libyan. Open sources indicate food imports, for example, are at their lowest level in seven years.

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dates, grapes, and apples are readily available in the markets, but there are long lines for most staples.

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other goods also are in short supply. Basic items such as light bulbs, soap, or shampoo often cannot be found in the markets. Moreover, what is available—shoes, bedding, and some clothing—is of inferior quality.

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Libyan women are attempting to get around the shortages by placing orders with family members and friends traveling abroad to bring goods back for them.

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The local black market also is thriving.

This outlet is rapidly becoming the principal source of luxury goods and many commodities.

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financial shortfalls have hampered the government's ability to provide basic public services—including water, electricity, and sanitation.

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fresh water is sometimes brackish or salty in some areas of Tripoli and water pressure is low in most of the city. In the poorer neighborhoods, power is often off for days at a time. Electrical service even in the affluent sections of Tripoli is off for several hours a week. In early September, for example, there were six electrical outages in the city for several hours each. Trash removal also appears insufficient, with irregular emptying of trash bins about once a month.

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The Libyan Oil Industry

The Libyan oil industry has weathered the disruptions caused by the freezing of its US assets in January, the imposition of increasingly tough US export sanctions since February, and the termination of all US oil company operations in June. Libyan oil is currently selling at about \$13 to \$14 per barrel, and production is averaging about 1 million barrels per day. [redacted]

The Libyan sales organization, Brega International, has successfully used marketing tactics such as netback deals and price discounts to maintain its market share. [redacted] *most Libyan oil is still sold to Western Europe, although some shifts by country have occurred. West German imports, for example, fell almost 30 percent during the first half of the year, while Italian imports rose nearly 30 percent. Sales to Communist countries, including Bulgaria, Romania, and the Soviet Union, have also increased.* [redacted]

The departure of US companies has not materially changed the functioning of the oil industry. [redacted] *the Libyan National Oil Company has maintained five production companies,* [redacted] *The industry remains heavily dependent on foreign oil technicians and workers. Libyan nationals control the top managerial positions, but North Americans and West Europeans provide most of the technical and supervisory personnel while Asians perform the manual labor in the oilfields. Approximately 300 to 400 US citizens were still working on oil facilities in Libya as of late June 1986,* [redacted]

Even education and health care—the pride of Qadhafi's social revolution—are in trouble. According to the US Embassy in Brussels, all preschool and primary schools have been closed, and instruction has been turned over to the parents. [redacted] the starting age for school children is being raised because of lack of resources. [redacted] students are demoralized and concerned about their future. [redacted] although there is no shortage of medical personnel—most are East European expatriates—there is a severe shortage of medical supplies, which is impeding health care. [redacted]

The shortage of funds has cut imports of spare parts and raw materials to only one-fourth the 1981 peak. [redacted] the construction sector has been among the hardest hit. Approximately 30 percent of offices and apartment buildings in Tripoli are either abandoned for lack of repair or uncompleted because of shortages of spare parts. [redacted] production in steel has been sporadic for lack of funds to import raw materials. Pepsi Cola, for example, was unavailable in the summer because of a lack of aluminum for the cans. Even Libyan cigarettes are difficult to obtain because the manufacturing plant is short of paper. [redacted]

Increased financial constraints have hampered key development projects and delayed or postponed new development schemes. [redacted]

Qadhafi's Actions

Qadhafi's response has been to demand more sacrifices from the populace. [redacted] the Libyan leader has slashed civil service

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Table 1
Libyan Petroleum Exports, 1985-86

Thousand b/d

	Estimated Exports of Crude Oil and Products		Percentage Increase/ Decrease	1986 Share of Libyan Exports (percent)
	January to June 1985	January to June 1986		
Total exports	1,002	1,070	+ 6.8	
OECD countries	853	915	+ 7.3	86
Italy	262	337	+ 28.6	32
West Germany	205	148	- 27.8	14
Spain	66	125	+ 89.4	12
France	49	60	+ 22.4	6
Greece	64	46	- 28.1	4
Netherlands	46	32	- 30.4	3
Turkey	52	42	- 19.2	4
United Kingdom	49	51	+ 4.1	5
Switzerland	27	36	+ 33.3	3
Austria	18	26	+ 44.4	2
United States	2	0	- 100.0	0
Canada	8	0	- 100.0	0
Portugal	0	0	NA	0
Belgium	3	8	+ 166.7	1
Japan	1	1	0	NEGL
Sweden	1	3	+ 200.0	NEGL
Communist countries	123	135	+ 9.8	13
Bulgaria	44	70	+ 59.1	6
Romania	27	30	+ 11.1	3
Yugoslavia	44	20	- 54.5	2
Soviet Union	8	15	+ 87.5	1
Other countries	26	20	- 23.1	2
South Korea	15	7	- 53.3	1
Syria	5	10	+ 100.0	1
Morocco	3	0	- 100.0	0
Sudan	3	3	0	NEGL
Domestic consumption	100	100	0	
Total production	1,102	1,170	+ 6.2	

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Table 2
Structure of the Libyan Oil Industry

Production Company	Current Production
WAHA (Ex-OASIS)	360
AGOCO	250
Zueitina and AGIP ¹ (Ex-Occidental)	240
SIRTE	80
Mobil Oil Company ² (Ex-Mobil US)	60
Total	990

¹ Includes OMV-Austria.
² Includes production of VEBA and Wintershall of West Germany.

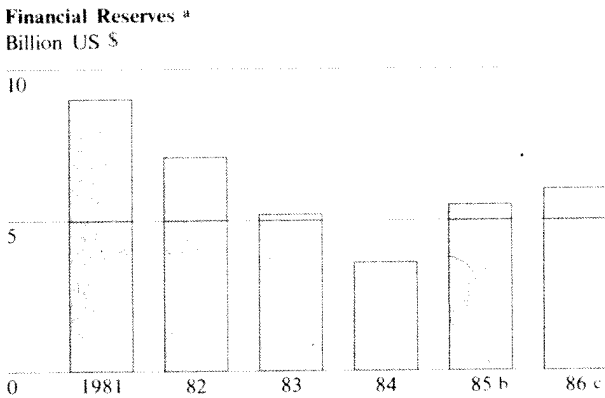
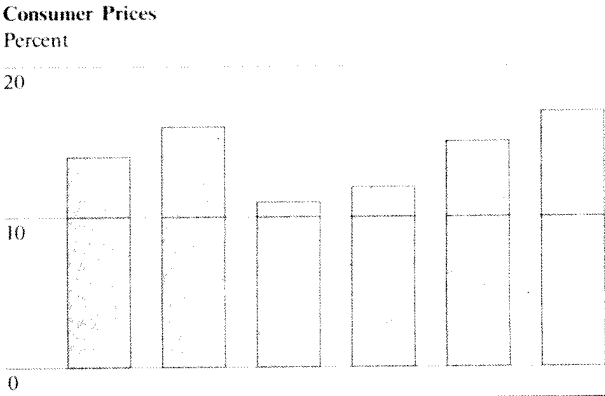
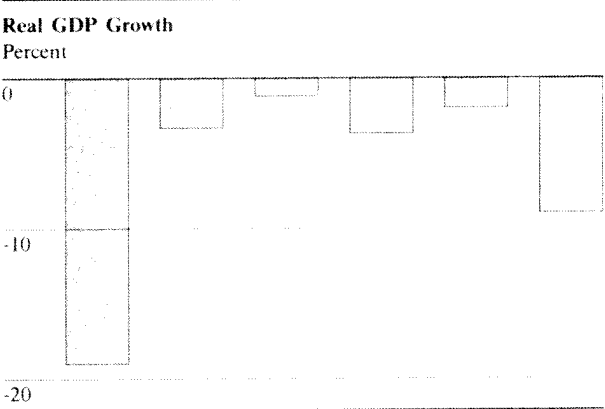
salaries by 45 percent and cut back government employee housing allowances by 55 percent. government paychecks are being delayed and restrictions placed on bank withdrawals.

mandatory retirement in the government is now enforced at age 60, and all promotions have been frozen. new taxes have also been levied in addition to hefty income, retirement, and social security taxes already in place.

Not even the military has proved beyond the reach of Qadhafi's cost-cutting measures. Hardware purchases still receive high priority, but the military has lost many longstanding privileges. Qadhafi has slashed salaries and demoted senior officers. he has closed military supply stores, which traditionally provided military personnel with goods generally unavailable on the open market and at reduced prices.

daily meat rations to the troops have been curtailed.

Libyan Economic Indicators, 1981-86



^a End of period, excluding 3.6 million ounces of gold.
^b Estimated.
^c Projected.

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Popular Reactions

Qadhafi's inability or unwillingness to improve living conditions is focusing increasing attention on him as the root of economic decline. [redacted] antiregime graffiti, pamphlets, and limited demonstrations are becoming more common in urban areas and on college campuses. [redacted] since the US airstrikes last April, a common theme has been that the regime's imposition of economic sacrifices to finance large defense expenditures and foreign adventurism has resulted in unnecessary hardship. [redacted]

Of more concern for Qadhafi is that he is alienating a broader spectrum of the Libyan military. Qadhafi spent considerable time last summer mending fences with various military units, but what support he has could easily evaporate if economic grievances are not acted on. So far, Qadhafi's pervasive and effective security forces have checked potential plots to oust the regime. [redacted]

Looking Ahead

Libya's financial outlook for the next several months is grim. Unless the international oil market unexpectedly tightens, oil earnings for this year are projected to reach only \$4.9 billion, a fraction of last year's total of \$11 billion. Even with import restrictions already in place, the country faces its first trade deficit since 1981. The Libyan leader could use the \$3.1 billion Tripoli received from the sale of its shares in Fiat, the Italian automotive firm, to cover some of the country's payments needs. [redacted] If necessary, Tripoli could liquidate other overseas investments, which have a current book value of about \$1 billion. We believe Qadhafi will prefer to draw down reserves and allow payments arrears to mount. We estimate payments arrears will exceed \$5 billion by the end of the year, including at least \$1 billion to the Soviets. Qadhafi views these arrears as useful leverage to extract political and other concessions, particularly from Libya's West European trading partners. [redacted] Even if the bottom falls out of the world oil market, Qadhafi's economic policies are unlikely to change a great deal. The Libyan leader has some powerful

Table 3
Libya: Current Account Balance, 1985-87

Billion US \$

	1985	1986 ^a	1987 ^b
Current account balance	1.0	-2.9	-3.0
Trade balance	0.7	-0.2	-0.7
Exports, f.o.b.	11.0	4.9	4.3
Imports, f.o.b.	6.3	5.1	5.0
Net services	-3.3	-2.4	-2.0
Grants	-0.4	-0.3	-0.3
Reserve position	5.5	6.0 ^c	3.0

^a Estimated.
^b Projected.
^c Reflects \$3.1 billion investment income from Fiat sale.

[redacted] remedies at hand to alleviate quite large financial shortfalls without changing his basic policy direction. For example, Qadhafi could increase oil production to 1.6 million barrels per day to boost earnings. He could also tap the international financial market for loans. [redacted] bankers are eager to loan funds to debt-free Libya. [redacted]

Qadhafi's primary question is how far he can push the population in general, and the military in particular, on austerity. Most educated Libyans are aware of the financial windfall available to the regime from the sale of the Fiat assets. Expectations almost certainly will be high in Tripoli and other Libyan cities for major improvements in the availability of consumer goods. To the extent that these expectations are not met and Qadhafi is seen as squandering money on terrorism and other unpopular adventures, popular dissatisfaction could result in increased antiregime activity. Qadhafi has already lost virtually all support outside of a small cadre of revolutionaries and his security services. Growing pressure on the latter to cope with increasingly frequent outbreaks of violence could weaken their resolve and provide the opportunity for disgruntled elements in the military to move against the regime. [redacted]

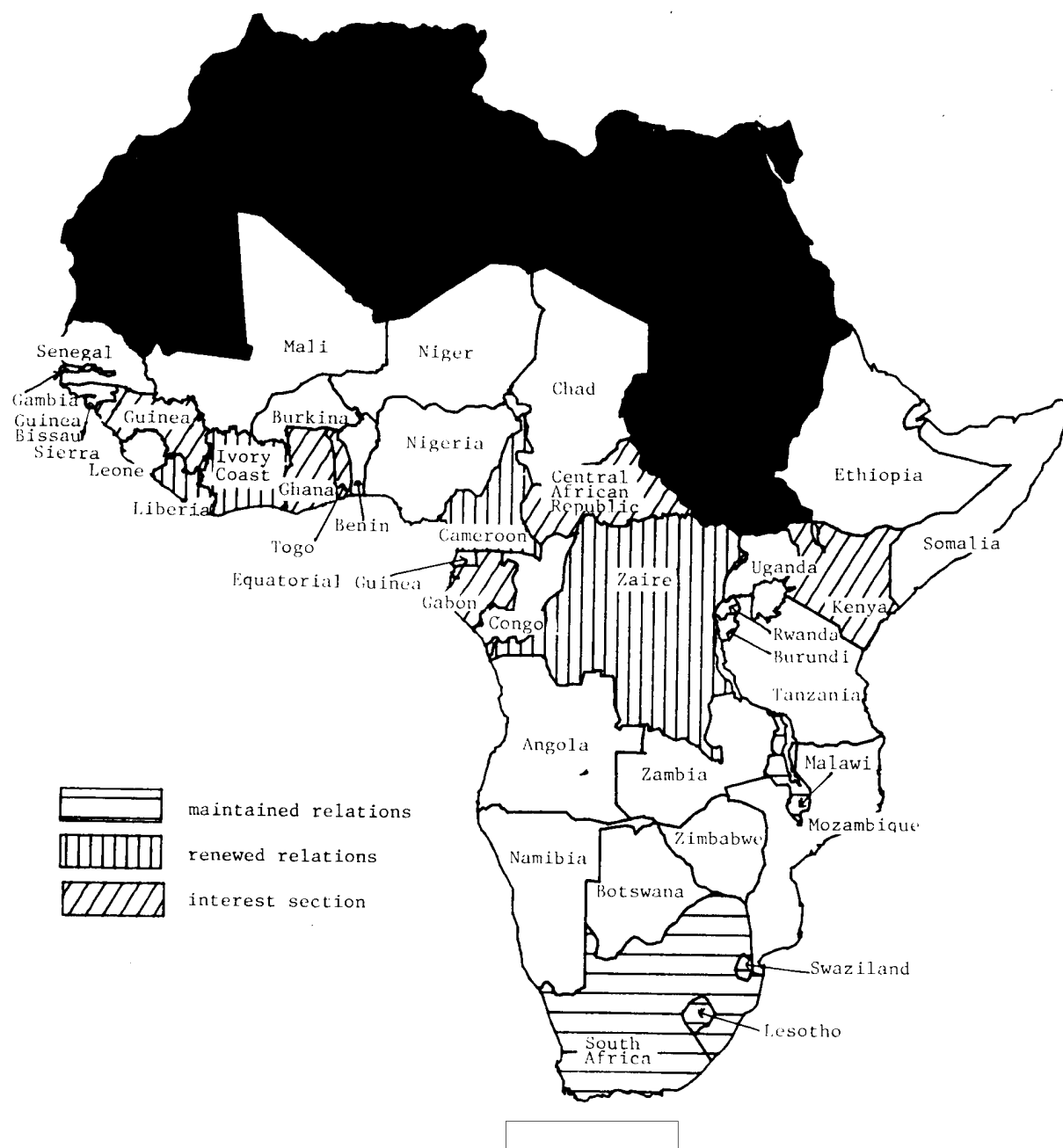
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Israeli Presence in Black Africa



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Israel's Diplomatic Hopes in Africa [REDACTED]

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Israel has exerted extensive diplomatic efforts to reestablish relations with the 29 black African countries that severed ties at Arab urging following the 1973 Arab-Israeli war. After 13 years of intensive efforts by the Foreign Ministry, Mossad, and Israeli business interests, four moderate, pro-Western countries—Zaire (1982), Liberia (1983), Ivory Coast (1985), and Cameroon (1986)—have restored relations with Israel. Israeli officials now are focusing on Nigeria, whose formal recognition they believe could set in motion a domino effect leading many states across the continent to reestablish ties. In our judgment, Nigerian recognition will not be a key factor in Israeli relations with black African countries, and, despite Israeli hopes, resumptions of relations in Africa will continue at only a slow pace.

[REDACTED]

the 1973 war, and 20 others followed suit during or shortly after the war. The OAU passed a resolution in 1973 calling on member states to refrain from diplomatic ties to Tel Aviv until Israel withdrew from all Arab territories and until the issue of a Palestinian homeland was settled. The only states to maintain diplomatic relations were Lesotho, Swaziland, and Malawi—all closely tied to South Africa. [REDACTED]

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Unofficial links to some African countries were restored in the mid-1970s. In Ivory Coast and Cameroon, residual private-sector contacts became the basis for future relations. Israeli officials hoped the withdrawal from the Sinai peninsula in the spring of 1982 would prompt African leaders to resume relations, and Zaire did so within a month. Israel's invasion of Lebanon, however, prevented further gains. [REDACTED]

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Background

A major Israeli foreign policy goal is expanding diplomatic relations throughout the world to legitimize its standing in the international community. The proximity of Africa to Israel and African receptivity to Israeli offers of assistance in the late 1950s and 1960s facilitated Israel's initial diplomatic activities on the continent. By the early 1970s, Israel had diplomatic relations with 33 black African states. Because funds were limited, Israel made use of the best resource it had to offer—skilled technicians, especially in agriculture. In return, Tel Aviv could count on black African support at the United Nations and in the Organization of African Unity (OAU), frustrating Arab efforts to turn these institutions into anti-Israeli forums. [REDACTED]

Israeli Foreign Ministry analysts in recent years have perceived a black African policy shift away from anti-Israeli Arab dictates. Several factors in Israel's favor support this trend:

- Disappointment in poorly managed and inadequate Arab aid and less dependence on Arab oil.
- Tel Aviv's record of effective and timely assistance in the 1950s and 1960s.
- Early ties of friendship between Israeli and African leaders.
- The lure of potential international Jewish investment and trade. [REDACTED]

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Israeli officials concede that gains in the Arab-Israeli peace process probably also have been a catalyst to improved Israeli-African relations. Israel has begun a public dialogue with Morocco and, despite the stalemated peace process, maintained correct relations with Egypt. Both states are members of the OAU and influential in black Africa. [REDACTED]

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African support for Israel began to erode shortly before the Arab-Israeli war in 1973, partly because Arab states offered oil at below-market prices and financial assistance. African sensitivity to Israel's growing ties to South Africa also was a factor, as was the desire of many emerging states for Arab diplomatic support against white minority rule. Nine black African states severed formal ties just before

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[redacted]

[redacted]

With Nigeria as the crucial link in Israeli plans in Africa, Israeli officials appeared content to wait for Nigeria's next move. According to press reports, Nigeria's Foreign Minister in September 1986 met with his Israeli counterpart during the UN General Assembly session. They tentatively agreed to exchange low-level Israeli economic aid and a purchase of Nigerian oil for a renewal of relations. [redacted]

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Since then, according to US Embassy officials, Deputy Foreign Minister for African Affairs Avi Primor claimed that, although Israeli relations with Nigeria are the best since 1973, Israeli officials will not press the Nigerians to quickly implement the agreement so as not to jeopardize gains already made. [redacted]

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The First Domino, Nigeria

Israel considers establishing relations with Nigeria as key to its African efforts. With large Islamic and Christian populations, Nigeria recently joined the Islamic Conference Organization but has refrained from active participation. An avowed independence from Arab policies and little concern for negligible Arab aid contribute to Nigeria's political influence in the region and its image of self-sufficiency. [redacted]

Official Israeli Presence

Kenya. Israel enjoys an extensive and longstanding relationship with Kenya through trade, [redacted] and cultural exchanges. Israel has access to the highest levels of the Kenyan Government. President Moi and other key officials have business dealings with Israeli firms. An Israeli presence is officially acknowledged under the auspices of the UN Environmental Program in the old Israeli Embassy. [redacted]

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Israel recently has garnered support from some senior Nigerian officials. Former Foreign Ministry Director General David Kimche visited Nigeria twice in 1985. According to US Embassy reporting, Kimche sought to persuade the Nigerian Government to placate its Christian community by recognizing Israel and guaranteeing pilgrimage rights to Jerusalem.

In the wake of Cameroon's formal recognition of Israel, Cameroonian officials—probably to prevent their country from appearing isolated from the rest of black Africa—listed Kenya as on the verge of resuming relations with Israel. [redacted]

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[redacted]

[redacted] President Moi refused to meet with the Israeli Prime Minister after the press speculated on a timetable for Kenyan-Israeli relations. In October 1986, however, Israel replaced its de facto ambassador to Kenya—the representative to the UN Environmental Program—with the previous head of the Foreign Ministry's South Africa Division. By upgrading representation to Kenya with a senior officer, Israel probably intends to approach Kenyan officials on a more formal level. [redacted]

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Israel's public disclosure in February 1986 that an agreement was in the offing forced Nigerian officials to deny having met with Kimche, temporarily scuttling further Israeli attempts to renew relations. [redacted]

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Kenyan officials probably view present relations with Israel as satisfactory and do not want to risk Arab aid by formalizing ties. But Kenya's initial reason for breaking relations with Israel—opposition to Israel's occupation of Egypt's Sinai Peninsula—no longer exists. Kenya views Egypt as the major complainant against Israel, and relations between Egypt and Israel have been established. The Kenyan Government, therefore, may be examining face-saving ways to reestablish relations. []

Gabon. The prospect of relations with Gabon poses a special problem. According to US Embassy reporting, the Gabonese President promised in 1986 to move toward establishing relations in return for Israeli funding of his personal account—ostensibly for aid programs in Gabon. While Israeli economic aid is a factor in nearly every negotiation in the region, US Embassy officials report that Israel considered this request too blatant. Israel has publicly criticized Gabon for not reciprocating with formal relations after Tel Aviv provided legitimate assistance in the past. []

Despite Gabon's public adherence to the OAU principle that led to severing relations, Gabon has made reassuring gestures to buoy Israeli hopes for future relations. At the Nonaligned Movement's summit meeting in September 1986, Gabon refused to condemn countries renewing relations with Israel. Israel was further encouraged when Gabon announced that, despite its abstention, it intended to support Israel in the perennial issue of validation of its credentials. []

Central African Republic. Prospects for renewing relations with the Central African Republic appear to hinge on the amount of financial assistance Israel can offer. [] Israel is not interested in reestablishing a diplomatic relationship based purely on Israeli financial assistance. Israel is probably aware that the Central African Republic's

economic difficulties and dependence on Arab aid will outweigh establishing relations with Israel. []

Guinea. Israeli hopes for relations with Guinea were bolstered in 1985 when Israel was allowed to establish an interest section within the Swiss Embassy. Efforts to improve contacts since then, however, have reached an impasse. []

Togo. Togo's President Eyadema encouraged Israeli diplomatic efforts by stating his personal desire to reestablish relations with an Israeli representative. []

Recent diplomatic efforts have been conducted through visits by Knesset member Rafi Edri, who has carried messages back and forth between the Israeli Prime Minister and the Togolese President. Edri commented to the press after his latest trip to Togo in October 1986 that formal relations with Togo could be reached within five months. []

Outlook

The Israeli Government consistently overestimates the significance of both its official relations with black Africa and private bilateral exchanges. Israeli officials' premature predictions of formalized relations often retard progress toward that end. Repeated leaks to the Israeli press have compromised

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negotiations and elicited vehement denials from foreign leaders, who may have been on the verge of establishing relations. Israel's diplomatic efforts, combined with offers of security assistance, technical instruction, and business and trade opportunities, are likely to gradually erode African biases and Arab influence. But formal relations will probably not be resumed at the pace Israel now predicts.

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Nigeria's pervasive political influence in black Africa makes it key to future Israeli success in convincing other African nations to resume relations with Israel. Without Nigerian recognition of Israel, much of the region is likely to maintain the status quo. Black African states will probably continue to balance aid offers from both the Arab world and Israel and will probably not meet Israeli predictions of reestablishing diplomatic relations.

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